The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.

anderson
ZURMUEHLEN

NeighborWorks®
MONTANA

FINANCIAL REPORT

September 30, 2019 and 2018

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montana HomeOwnership Network, Inc.
dba NeighborWorks Montana
Great Falls, Montana

Report on the Financial Statements
We have audited the accompanying financial statements of Montana HomeOwnership Network, Inc., dba NeighborWorks Montana (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana HomeOwnership Network, Inc., dba NeighborWorks Montana as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements
The 2018 financial statements of Montana HomeOwnership Network, Inc., dba NeighborWorks Montana were audited by other auditors whose report dated December 27, 2018, expressed an unmodified opinion on those statements.

Effect of Adopting New Accounting Standard
As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) 2016-14, *Not-for-Profit (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended September 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information
As noted above, the prior year was audited by other auditors and an unmodified opinion was expressed on the 2018 financial statements in their report dated December 27, 2018. The summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters
Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2020, on our consideration of Montana HomeOwnership Network, Inc., dba NeighborWorks Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Montana HomeOwnership Network, Inc., dba NeighborWorks Montana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montana HomeOwnership Network, Inc., dba NeighborWorks Montana's internal control over financial reporting and compliance.

Anderson ZurMuehlen & Co., P.C.

Great Falls, Montana
January 6, 2020

F I N A N C I A L S T A T E M E N T S

MONTANA HOMEOWNERSHIP NETWORK, INC.
dba NEIGHBORWORKS MONTANA
STATEMENTS OF FINANCIAL POSITION
September 30, 2019
(With Comparative Totals for September 30, 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 3,387,783	$ 1,968,101
Miscellaneous receivable	141,256	61,288
Grant receivable	19,051	398,470
Due from NeighborWorks Great Falls	1,593	3,626
Current portion of notes receivable	873,584	1,291,789
Current portion of loans receivable	189,704	196,463
Real estate property held for sale	432,414	1,525,956
Prepaid expenses	13,288	1,437
Total current assets	5,058,673	5,447,130
PROPERTY AND EQUIPMENT		
Building	163,853	163,853
Furniture and office equipment	89,547	69,244
Less: accumulated depreciation	(98,474)	(81,093)
Total property and equipment	154,926	152,004
OTHER ASSETS		
Cash - endowment	2,863	2,853
Cash - loan loss reserve	140,592	138,583
Cash - NSP CLT	197,704	-
Investments	179,750	429,874
Notes receivable, net of allowance and current portion	8,960,969	6,021,616
Loans receivable, net of allowance, current portion, and NHSA buyback discount	13,514,581	13,535,695
Total other assets	22,996,459	20,128,621
Total assets	$ 28,210,058	$ 25,727,755

The Notes to Financial Statements are an integral part of these statements.

MONTANA HOMEOWNERSHIP NETWORK, INC.
dba NEIGHBORWORKS MONTANA
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
September 30, 2019
(With Comparative Totals for September 30, 2018)

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 147,085	$ 398,120
Deferred revenue	342,549	548,985
NCC loan funds	293,000	-
Current portion of long-term debt	536,950	656,739
Total current liabilities	1,319,584	1,603,844
MORTGAGE ESCROW AND TRUST ACCOUNTS	3,323,781	3,570,390
LONG-TERM DEBT		
NCC loan funds	-	293,000
CF loan funds	30,000	30,000
Notes payable, net of current portion	8,469,105	6,257,543
Total long-term liabilities	8,499,105	6,580,543
Total liabilities	13,142,470	11,754,777
NET ASSETS		
Without donor restrictions		
Undesignated	8,003,112	6,715,740
With donor restrictions		
Purpose and time restrictions	6,286,740	6,479,502
Perpetual in nature	777,736	777,736
Total net assets with donor restrictions	15,067,588	13,972,978
Total liabilities and net assets	$ 28,210,058	$ 25,727,755

The Notes to Financial Statements are an integral part of these statements.

MONTANA HOMEOWNERSHIP NETWORK, INC.
dba NEIGHBORWORKS MONTANA
STATEMENTS OF ACTIVITIES
Year Ended September 30, 2019
(With Comparative Totals for the Year Ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUE AND OTHER SUPPORT				
Grants	$ 1,750,668	$ 1,101,467	$ 2,852,135	$ 1,614,891
Contributions	29,453	-	29,453	14,916
Interest - loans	612,390	-	612,390	573,636
Interest - deposits	22,603	-	22,603	8,709
Loan fees	51,167	-	51,167	39,609
Conference income	116,903	-	116,903	80,804
Contract income	111,981	77,965	189,946	367,071
Other income	110,460	-	110,460	102,132
Net assets released from restrictions:				
Satisfaction of program restrictions	1,372,194	(1,372,194)	-	-
Total revenue and other support	4,177,819	(192,762)	3,985,057	2,801,768
EXPENSES				
Program services	2,330,028	-	2,330,028	1,870,691
Supporting services	560,419	-	560,419	550,569
Total expenses	2,890,447	-	2,890,447	2,421,260
Change in net assets	1,287,372	(192,762)	1,094,610	380,508
Net assets, beginning of year	6,715,740	7,257,238	13,972,978	13,592,470
Net assets, end of year	$ 8,003,112	$ 7,064,476	$ 15,067,588	$ 13,972,978

MONTANA HOMEOWNERSHIP NETWORK, INC.
dba NEIGHBORWORKS MONTANA
STATEMENTS OF CASH FLOWS
Year Ended September 30, 2019
(With Comparative Totals for the Year Ended September 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,094,610	$ 380,508
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Bad debt expense	185,534	97,344
Depreciation	17,381	14,448
Amortization of NHSA buyback discount	(1,658)	(4,732)
(Gain) loss on disposition of real estate property held for sale	(291)	48,277
Changes in operating assets and liabilities:		
Receivables	301,484	179,788
Prepaid expenses	(11,851)	2,611
Accounts payable and accrued liabilities	(251,035)	127,523
Deferred revenue	(246,609)	(176,859)
Mortgage escrow and trust accounts	(206,436)	(141,204)
Net cash flows from operating activities	881,129	527,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from real estate held for sale	1,353,410	210,852
Purchase of real estate held for sale	(259,577)	(210,131)
Cash paid for property and equipment	(20,303)	(21,507)
Proceeds from sale of investments	255,460	5,250
Purchase of investments	(5,336)	(5,336)
Payments received on loans and notes receivable	5,384,695	2,000,580
Additional funds issued on loans and notes receivable	(8,061,846)	(3,180,421)
Net cash flows from investing activities	(1,353,497)	(1,200,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new debt	2,676,819	591,010
Payments on debt	(585,046)	(335,940)
Net cash flows from financing activities	2,091,773	255,070
Net change in cash	1,619,405	(417,939)
Cash, beginning of year	2,109,537	2,527,476
Cash, end of year	$ 3,728,942	$ 2,109,537
SCHEDULE OF INTEREST PAID		
Interest paid	$ 211,986	$ 157,434
SCHEDULE OF CASH		
Cash - operating	$ 3,387,783	$ 1,968,101
Cash - endowment	2,863	2,853
Cash - loan loss reserve	140,592	138,583
Cash - NSP CLT	197,704	-
	$ 3,728,942	$ 2,109,537

The Notes to Financial Statements are an integral part of these statements.

MONTANA HOMEOWNERSHIP NETWORK, INC.
dba NEIGHBORWORKS MONTANA
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019
(With Comparative Totals for the Year Ended September 30, 2018)

		Supporting Services				
	Program Services	Management and General	Resource Development	Total Supporting Services	2019 Total	2018 Total
Salaries, Benefits and Taxes	$ 671,065	$ 333,818	$ 96,251	$ 430,069	$ 1,101,134	$ 937,727
Audit	17,300	2,600	2,000	4,600	21,900	12,500
Bad Debt Expense	185,534	-	-	-	185,534	97,344
Insurance	5,912	5,358	400	5,758	11,670	14,282
Cyber Insurance	2,400	439	-	439	2,839	2,839
Computer Support	21,973	2,727	1,453	4,180	26,153	23,820
Depreciation	11,932	1,049	4,400	5,449	17,381	14,448
Marketing	8,346	292	5,329	5,621	13,967	12,231
Meeting Expense	6,962	3,217	94	3,311	10,273	7,823
Miscellaneous	5,808	5,174	23	5,197	11,005	9,287
HQS/Environmental/Home	3,705	-	-	-	3,705	3,663
Interest Expense	211,986	-	-	-	211,986	166,790
Loan Processing Expense	12,043	-	-	-	12,043	12,403
Property Costs	50,000	-	-	-	50,000	10,674
Repairs and Maintenance	16,677	7,984	1,582	9,566	26,243	15,898
Real Estate Taxes	1,481	-	-	-	1,481	2,651
Office Rent	14,855	8,765	6,595	15,360	30,215	32,226
Office Supplies	9,895	1,930	899	2,829	12,724	8,818
Outside Services	44,794	10,820	3,421	14,241	59,035	80,194
Legal Professional Services	3,352	204	1,410	1,614	4,966	1,047
Partner Conference Expenses	70,042	-	-	-	70,042	30,322
Postage	3,151	202	514	716	3,867	4,618
Subscriptions/Dues	24,321	4,966	3,327	8,293	32,614	23,272
Telephone	7,959	3,535	549	4,084	12,043	11,716
Training	17,866	10,597	3,693	14,290	32,156	32,944
Training-Partners	42,458	-	-	-	42,458	56,771
Travel	54,974	14,626	8,784	23,410	78,384	62,581
Parking	1,830	610	610	1,220	3,050	926
Utilities	2,038	172	-	172	2,210	2,134
Credit Reports	318	-	-	-	318	456
Loss (Gain) on Real Estate Sold	(291)	-	-	-	(291)	48,277
Grant Expense	521,036	-	-	-	521,036	118,641
Distribution to Partners	278,306	-	-	-	278,306	561,046
	$ 2,330,028	$ 419,085	$ 141,334	$ 560,419	$ 2,890,447	$ 2,421,260

NOTE 1. ORGANIZATION

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana (NWMT) is a nonprofit corporation dedicated to increasing home ownership and preserving affordable housing for low-income families throughout Montana. Revenue is mainly from earned income and government grants, supplemented by donations. NWMT partners with other nonprofit agencies through service agreements, contracts and loans to provide services, encourage development, and finance construction. These agencies are commonly referred to as "partners", but the use of the term in no way suggests a formal, legal partnership exists between NWMT and the individual agencies.

The services provided by NWMT are segregated in the following program categories:

Homebuyer Education and Housing Counseling – includes the operation of a statewide partner network of local agencies which provide individual homeownership planning services to homebuyers so they are knowledgeable of all aspects of the home buying process to create successful homeownership for the long-term. Foreclosure mitigation services provide counseling, loan servicer negotiations and foreclosure prevention loans to homeowners of all incomes. These services are contracted by NWMT with local agencies.

Lending and Loan Servicing – provides down payment loans to low and moderate income families to allow them to become homeowners. Deferred mortgages bridge the gap between the home price and an affordable mortgage for the family, while amortizing mortgages allow families to reduce their down payment and avoid mortgage insurance premiums. For current homeowners, NWMT offers foreclosure mitigation loans to allow them to retain homeownership.

Real Estate Development and Acquisition Program (REDA) – provides loans on projects for pre-development, land, or building acquisition, bridge funds for equity and other structures crafted to serve the needs of development partners. As a Community Development Financial Institution (CDFI), NWMT can leverage grant funds with loans from numerous sources and offers financing to help housing developers complete their financing packages.

Housing and Real Estate – encompasses new home development using factory-built homes, replacement home development using manufactured homes, and conversion of manufactured housing communities into resident-owned cooperatives. Manufactured housing is Montana's largest unsubsidized form of affordable housing. This line of business works to preserve and enhance the assets of manufactured housing homeowners.

Partner Support – provides funding to the statewide network of local agencies that offer homebuyer education, housing counseling, matched savings accounts, and housing land trust development. Expenses in this program function are pass-through funds to third parties for services provided to homebuyers and homeowners throughout the state.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. NWMT has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. NWMT has elected not to restate 2018 for the functional allocation of expenses and liquidity disclosures which is allowed in the year of implementation. The changes required by this ASU have been retrospectively applied to all periods presented, which had no effect on the total change in net assets or total assets previously reported.

Basis of Presentation
The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by FASB. Under GAAP, NWMT is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Designated amounts represent those net assets that the board has set aside for a particular purpose and shall be segregated in the accounting records as “board-designated” funds. There were no board designated funds at September 30, 2019.
- *Net assets with donor restrictions* – Net assets that are subject to donor or certain grantor imposed stipulations. Some donor or grant restrictions are temporary in nature such as those that will be met by passage of time or other events specified by the donor or grantor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets With Donor Restrictions

Purpose or Time Restrictions
NWMT has received grants from the state and federal governments that are to be used for neighborhood revitalization to increase home ownership, increase the availability of affordable rentals among low-income individuals and to preserve affordable homes. These grants are reflected as net assets with donor imposed restrictions due to restrictions as to their purpose and/or usage over time.

Invested in Perpetuity
NWMT reports capital funds from Neighborhood Reinvestment Corporation as net assets with donor restrictions that are invested in perpetuity. These net assets are to remain in NWMT to provide stability and financial strength.

Comparative Data
The amounts shown for the year ended September 30, 2018 in the accompanying financial statements are included to provide a basis for comparison with 2019 and present summarized totals only. Accordingly, the 2018 totals are not intended to present all information necessary for a fair presentation in conformity with GAAP. Such information should be read in conjunction with NWMT's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Income Tax Status
NWMT is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Cash and Cash Equivalents
For purposes of the statement of cash flows, NWMT considers all short term investments with a maturity of three months or less, and all certificates of deposit, to be cash equivalents.

Concentration of Credit Risk for Cash Deposits
NWMT maintains deposits in various financial institutions located in Montana. The deposits are insured by federal agencies for up to $250,000 per bank. At September 30, 2019, the amount on deposit exceeding the federally insured limit was $3,374,596. NWMT maintains a repurchase account where large cash balances would be on deposit for more than 30 days.

Property and Equipment
Property and equipment are recorded at cost for purchased assets and fair market value as of the date of donation for donated assets. Those assets over $2,500 are capitalized. In the absence of donor stipulations regarding how long the contributed assets must be used, contributions of property and equipment are recorded as net assets without donor restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)
Depreciation is provided over the estimated useful lives of the assets using straight-line depreciation. Total depreciation expense for the year ended September 30, 2019 is $17,381. Estimated useful lives are as follows:

Building	27.5 years
Furniture	3 – 5 years
Equipment	3 – 7 years

Functional Allocation of Expenses
The financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, expenses require an allocation on a reasonable basis that is consistently applied. Such allocations are determined by management an equitable basis. The expenses that are allocated include salaries and benefits and are allocated based on estimates of time and effort and occupancy costs which are allocated on a percentage basis.

Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events
NWMT has evaluated subsequent events through January 6, 2020, which is the date the financial statements were available to be issued.

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets expected to be available to support NWMT in the year ending September 30, 2020 consist of the following:

Cash and cash equivalents	$ 3,728,942
Receivables	160,307
Notes receivable	9,834,553
Loans receivable	13,704,285
Total financial assets	27,428,087
Long-term notes receivable	(8,960,969)
Long-term loans receivable	(13,514,581)
Restricted cash	(341,159)
Financial assets available within 1 year	$ 4,611,378

NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets include cash and cash equivalents, certificates of deposit and accounts and grants receivable as reported on the statement of financial position. As of September 30, 2019, NWMT has working capital of $3,739,089 and 372 days cash on hand.

Days cash on hand does not include cash designated by management for projects or deferred revenue items. As part of NWMT's liquidity management plan, NWMT's annual operating budget anticipates receiving funds throughout the year from the following sources, typically allowing them to operate with a positive cash flow position:

- Grants
- Interest income from loans and notes receivable.

In addition, NWMT has a $1 million line of credit, as discussed in more detail in Note 11. As of September 30, 2019, the $1 million remained available on NWMT's line of credit.

NOTE 4. NOTES RECEIVABLE

NWMT makes loans to nonprofit multi-family housing developers to encourage the development and preservation of affordable rentals. Loan policies are approved by the Real Estate Development and Acquisition Committee of NWMT's Board of Directors. Notes receivable are carried at the unpaid principal balance. Interest on notes receivable is accrued using the simple interest method, based on the unpaid principal balance. Interest income is recognized over the contractual life of the note receivable. Notes are placed on nonaccrual status when management believes the notes are impaired or collection of interest is doubtful. Notes receivable are considered impaired if full principal or interest payments are not anticipated to be received in accordance with the terms of the note. There were no notes considered to be impaired, nor placed on nonaccrual status, at September 30, 2019. It is NWMT's practice to charge off any note or portion of a note when management feels it will be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons.

In 2015, NWMT's board approved a new risk rating process for its notes receivable and all outstanding loans will be reviewed using this process at least once a year. Notes receivable are considered past due and delinquent when scheduled payments are 30 days late. As of September 30, 2019, one note receivable with a balance of $182,884 was in a past due status.

NOTE 4. NOTES RECEIVABLE (CONTINUED)

Notes receivable at September 30, 2019 consist of the following:

A note receivable from Homeword, Inc. to incorporate environmentally friendly aspects into the Equinox II condominium complex in Missoula, Montana. There is a zero interest rate and no due date on this note. Due at time of sale if property is sold.	$ 45,000
A note receivable from Confluence-Homeword, Inc. for pre-development expenses of a low-income project in Missoula, Montana. There is a zero interest rate and no due date on this note. Due at time of sale if property is sold.	115,000
A note receivable from Trailer Terrace for infrastructure development financing for the Trailer Terrace park residence in Great Falls, Montana. The note receivable is amortizing with monthly installments through February 28, 2028, including interest at a rate of 5.0%. The note is secured by a lien on the property.	283,034
A note receivable from Missouri Meadows Community for acquisition financing for their manufactured home park residence in Great Falls, Montana. The note receivable is deferred then be amortizing at zero interest through December 15, 2037. The note is secured by a trust indenture agreement.	256,343
A note receivable from Missouri Meadows Community for acquisition financing for their manufactured home park residence in Great Falls, Montana. The note receivable is amortizing and due on January 15, 2045. Interest is due monthly at a rate of 3.0%. The note is secured by a trust indenture agreement.	113,204
A note receivable from Green Acres for construction financing for their manufactured home park residence in Kalispell, Montana. The note receivable is amortizing and due on September 15, 2027. Interest is due monthly at a rate of 4.0%. The note is secured by a pledge fund agreement.	36,212
A note receivable from Mountain Springs Villa for construction financing for their manufactured home park residence in Red Lodge, Montana. This is a zero interest loan. No payments will be made until December 1, 2021 after which monthly payments of $750 will be made until November 1, 2031. The note is secured by a trust indenture agreement.	105,000
A note receivable from Mountain Springs Villa for acquisition financing for their manufactured home park residence in Red Lodge, Montana. The note receivable is amortizing and due on February 1, 2027. Interest is due monthly at a rate of 5.5%. The note is secured by a trust indenture agreement.	37,421
A note receivable from Buena Vista for infrastructure improvements. The note matures on November 27, 2023 and interest accrues at a rate of 6.0%. The note is secured by a lien on the property.	66,375
A note receivable from River Acres for property acquisition in Missoula, Montana. The note receivable is amortizing and due on January 30, 2024. Interest is due monthly at a rate of 4.0%. The note is secured by a lien on the property.	67,438

NOTE 4. NOTES RECEIVABLE (CONTINUED)

A note receivable from Northwood Community. The note matures on November 5, 2024.The loan is amortized monthly with interest at a rate of 4.0%. The note is secured by a lien on the property.	182,884
A note receivable from Morning Star Community in Kalispell, Montana for acquisition of the property. The note is due on June 6, 2027. The loan is amortized monthly with interest at a rate of 5.5%. The note is secured by trust indenture on the property.	148,354
A note receivable from the YWCA in Helena, Montana. The note matures on October 20, 2021, and interest accrues at a rate of 4.5%. The note is secured by a lien on the YMCA's main building.	68,985
A note receivable from Creekside Apartments in Missoula, Montana for acquisition funding. The note matures on August 31, 2027, and interest accrues at a rate of 2.5%. The note is secured by a second lien behind the first mortgage.	3,687,500
A note receivable from GMD Development, LLC and NWGF Development, LLC for land acquisition for the Rockcress Commons project in Great Falls, Montana. The note matures on December 31, 2019, and accrues interest at a rate of 5.5% payable quarterly. The note is secured by a lien on the property. See Note 17 Related Party Transactions for more detail.	586,000
A note receivable from Homeword, Inc. for the Montana Street Homes Project in Missoula, Montana. The note matures on December 31, 2020, and accrues interest at a rate of 5.0% payable quarterly. The note is secured by a lien on the property.	68,592
A note receivable from Country Court Community, Inc. for acquisition financing for their manufactured home park residence in Kalispell, Montana. The note matures on June 29, 2028. The note is amortized monthly with interest at 5.0%. The note is secured by a lien on the property.	41,274
A note receivable from Country Court Community, Inc. for acquisition financing for their manufactured home park residence in Kalispell, Montana. The note matures on June 29, 2028. The note is amortized monthly with interest at 1.0%. The note is secured by a lien on the property.	179,340
A note receivable from Libby Creek Community, Inc. for acquisition financing. The note matures on September 30, 2028. The note is amortized monthly with interest at 5.25%. The note is secured by a lien on the property.	165,335
A note receivable from Libby Creek Community, Inc. for acquisition financing. The note matures on September 30, 2028. The note is amortized monthly with interest at 1.0%. The note is secured by a lien on the property.	66,236
A note receivable from Homeword, Inc. for acquisition financing. The note matures on November 30, 2020, and interest accrues at a rate of 4.5%. The note is secured by a lien on the property.	283,116

NOTE 4. NOTES RECEIVABLE (CONTINUED)

A note receivable from Human Resource Development Council of District IX, Inc. for housing development in their service area. The note matures on November 15, 2019, and interest accrues at a rate of 6.5%. The note is secured by a lien on the property.	250,000
A note receivable from Fraser Tower, LLC for acquisition financing. The note matures on December 31, 2028, and interest accrues at a rate of 2.75%. The note is secured by a lien on the property.	1,241,710
A note receivable from GL Development, LLC for acquisition financing for the Red Alder Residences. The note matures on December 31, 2020, and interest accrues at a rate of 6.0%. The note is secured by a lien on the property.	600,000
A note receivable from Habitat for Humanity of Gallatin Valley, Inc. for acquisition financing for a 10 home, homeownership-oriented development using the Habitat for Humanity model in Ennis, MT. The note matures on January 31, 2024, and interest accrues at a rate of 5.25%. The note is secured by a lien on the property.	225,000
A note receivable from C & C Community, Inc. for acquisition financing. This is a zero interest loan. No payments will be made until several vacant lots are filled and the borrower's income has stabilized after which monthly payments will be made calculated on a 35 year amortization schedule until March 31, 2029. The note is secured by a lien on the property.	150,000
A note receivable from C & C Community, Inc. for acquisition financing. The note matures on March 31, 2029. The note is amortized monthly with interest at 5.25%. The note is secured by a lien on the property.	298,264
A note receivable from Homeword, Inc. for acquisition financing for the Lenox Flats Apartments. The note matures on April 16, 2029, and interest accrues at a rate of 3.25%. The note is secured by a lien on the property.	920,000
Total	10,287,617
Less current portion	(873,584)
Total notes receivable, net of current portion	$ 9,414,033

Maturities of notes receivable for the next five years are as follows:

September 30,	
2020	$ 873,584
2021	709,950
2022	393,459
2023	41,358
2024	41,358
Thereafter	8,227,908
	$ 10,287,617

NOTE 4. NOTES RECEIVABLE (CONTINUED)

NWMT has a reserve for loss on notes receivable in the amount of $453,064.

NWMT has set aside a certificate of deposit for $62,244 in connection with the Missouri Meadows loan. A six month reserve was required by Resident Owned Community (ROC) in their acquisition loan for the park in case of flooding. NWMT provided the guarantee. This was a 15 year loan commencing October 3, 2011.

NOTE 5. LOANS RECEIVABLE

NWMT grants credit to low to moderate income home owners, all of whom are in Montana. The Board of Directors approves all loan policies and procedures. The Board is also responsible for the review and approval of eligible loan applications and the interest rate and repayment terms of loans that fall outside of the designated parameters.

Loans receivable of $13,913,101, for which NWMT has the intent and the ability to hold for the foreseeable future or until either maturity or earlier prepayment, are stated at face value, and are net of the allowance for uncollectible loans of $208,816 and a purchase discount of $7,938. Management's views regarding the foreseeable future and, consequently, the intent with respect to holding these loans receivables may change due to changes in business strategies, the economic environments of the markets in which NWMT operates, general market conditions, and the availability of various government programs in which NWMT participates. Loans receivable are tested annually for impairment. Loans receivable are considered impaired if the face value plus accrued interest is less than the book value of the property collateralizing the mortgage. No loans receivable were considered to be impaired at September 30, 2019.

Interest on the loans receivable is accrued based on the outstanding principal balance. Interest income is recognized over the contractual life of the loan receivable using the simple interest method, which results in a constant effective yield over the contractual life of the loan. Amortizing loans are interest-bearing at rates ranging between 1.0% and 7.25% per annum. Federal HOME funds are used for deferred mortgages for low to moderate income homebuyers below 80% of median income. The deferred mortgages are made at zero interest and require the borrower to repay the loan when the home is sold. Loans receivable are placed on nonaccrual status when management believes the loans are impaired. There were no loans receivable not accruing interest because of impairment at September 30, 2019.

NOTE 5. LOANS RECEIVABLE (CONTINUED)

The following table presents informative data of loans receivable regarding their age at September 30, 2019:

		Past due				
	Current	30-59 days	60-89 days	Over 90 days	Total Past Due	Total Loans Receivable
Loans receivable	$ 13,852,000	$ 28,057	$ 33,044	$ -	$ 61,101	$ 13,913,101

Credit Risk Policies
Loans receivable are considered past due and delinquent when payments are 30 days late. There were no loans receivable that are past due 90 days or over and still accruing interest as of September 30, 2019. A loan that is 120 days past due is written off as uncollectible.

If repayment of a past due loan is expected to be obtained solely from the proceeds of selling the property that is collateral for the loan, the loan is designated as being collateral-dependent. When a collateral-dependent loan is over 120 days past due, a fair value assessment of the property that is pledged as collateral for the loan is initiated. NWMT considers the sufficiency of a loan's collateral by comparing the estimated fair value of the collateral less an estimate to cover potential expenses of foreclosure to the recorded investment in the loan, adjusted for any superior liens to which the collateral is subject. If the estimated fair value of the collateral, net of estimated foreclosure-related expenses equals or exceeds the adjusted recorded investment in the loan, the loan is judged to be sufficiently collateralized.

NWMT recognizes the allowance for uncollectible loans in an amount believed to be sufficient to absorb losses inherent in the loan portfolio, including those losses not yet specifically identifiable. Neighborhood Reinvestment Corporation will allow NWMT to use net assets with donor restrictions to supplement its loan loss reserves. An allowance for uncollectible loans has been established based on review of loans that are in default. The allowance is established at the three year average plus one percent of each year-end pool balance.

Loan reserve balance, October 1, 2018	$ 209,265
Loans written off	(37,645)
Reserve replenished	37,196
Loan reserve balance, September 30, 2019	$ 208,816

NHSA Loan Buy Back
In 2010, Neighborhood Housing Services of America (NHSA) sold loans back to NWMT that they had previously purchased from NWMT. The total principal of the loans as of September 30, 2019 is $14,499 with a purchase discount of $7,938 for a net purchase of $6,561. The discount is amortized to interest income over the life of the loans effectively increasing the interest rate earned on the loans. The net purchase amount is included in the loans receivable balance at September 30, 2019.

NOTE 5. LOANS RECEIVABLE (CONTINUED)

Glacier Affordable Housing
NWMT operates a revolving loan fund of $4,347,663 made up of grants assigned to Glacier Affordable Housing between 1995 and 2005. NWMT has no liability for these grants. Of this amount, $3,891,307 is in loans receivable at September 30, 2019 .

Maturities of loans receivable for the next five years are as follows:

Year Ended September, 30	Loans Receivable
2020	$ 189,704
2021	188,167
2022	176,094
2023	164,665
2024	151,789
Thereafter	13,042,682
	$ 13,913,101

Included in the "Thereafter" category are loans that are due on sale of the customers' home.

NOTE 6. REAL ESTATE PROPERTY HELD FOR SALE

NWMT has purchased properties with the intention of selling them to qualifying buyers in accordance with NWMT's mission. All costs associated with the property including preacquisition, acquisition, development, and construction costs are capitalized and included in the total cost of the property. The real estate property held for sale is stated at the lower of the carrying value or fair value.

The reconciliation of the changes in the real estate property is as follows:

October 1, 2018	$ 1,525,956
Net expenses	259,577
Sales proceeds	(1,353,410)
Gain on real estate	291
September 30, 2019	$ 432,414

NOTE 7. CASH – LOAN LOSS RESERVE

NWMT currently maintains a cash reserve of $140,592 in an account at D.A. Davidson for potential loan losses.

NOTE 8. CASH – NSP

NWMT currently maintains a cash reserve of $197,704 in an account at Stockman Bank for program income that is being administering for the Northwest Montana Community Land Trust, Inc. in Kalispell.

NOTE 9. INVESTMENTS

In July 2012, NWMT invested $179,500 into RB SB Lending, LLC to partner with Homeword, Inc. in Missoula to fund the development and renovation of housing units in Missoula. NWMT's investment in this entity was initially recorded at cost and is adjusted annually for its 21% share of the current year income or loss (equity method). The current balance as of September 30, 2019 is $179,750. Condensed financial information reported by RB SB Lending, LLC as of September 30, 2019 is as follows:

Current assets	$ 1,200
Noncurrent assets	830,365
Equity	$ 831,565
Net income - from	$ 25,411
Distributions	$ 26,000

NWMT previously provided a $250,000 loan to the Great Falls Development Authority. The loan was for two years at 8.0% and matured in November 2018.

NOTE 10. DEFERRED REVENUE

NWMT has received funds from NeighborWorks America ($312,704) and Assets for Independence Individual Development Account program ($29,845), but had not yet used all those funds for their intended purpose as of September 30, 2019. These unused funds are reported as deferred revenue until used by NWMT.

NOTE 11. LINE OF CREDIT

NWMT has a line-of-credit with Stockman Bank for up to $1,000,000. The interest rate is fixed at 5.0%. The balance outstanding at September 30, 2019 is $-0-. The line-of-credit matures on June 10, 2020.

NOTE 12. ENDOWMENT

In December of 2010, the NeighborWorks Great Falls Board of Directors voted to permanently restrict certain memorial contributions received to create the NeighborWorks Endowment. The endowment was established to preserve funds for future operations and out of the total, $2,863 was designated for NWMT. Funds have been passed back to NWMT and will be carried in a Certificate of Deposit until the organization decides on a course of action. NWMT also owns an insurance policy, the proceeds of which are designated to the endowment.

NOTE 13. NCC PARTICIPATION AGREEMENT

NWMT received $293,000 in loan funds from NeighborWorks Capital Corporation as a participation in the Rockcress Commons acquisition land loan (Note 4). The agreement is secured by property. Interest payments of 5.25% are due quarterly with the principal due December 31, 2019.

NOTE 14. COMMUNITY FRAMEWORKS LOAN FUNDS

NWMT received $120,000 in loan funds from Community Frameworks, a non-profit that provides financing for affordable housing construction. Community Frameworks has provided a zero interest loan to NWMT for land acquisition and infrastructure development. Community Frameworks loans are structured as ten-year loans with no fixed repayment schedule, and include an option for loan forgiveness upon the maturity of the loan. The loan balance at September 30, 2019 is $30,000, maturing August 26, 2024.

NOTE 15. NOTES PAYABLE

Notes payable consists of the following at September 30, 2019:

Notes payable of varying amounts with ten financial institutions for the EQ2 loan program to promote community and economic development. Interest only payments are due quarterly at rates varying between 2% and 3%. The first note for $50,000 reaches maturity in January 2020. The remaining agreements totaling $7,474,210 will reach maturity at staggered intervals through 2026.	$ 7,524,210
A note with Opportunity Finance Network for loan funds. The note matures on December 31, 2020. Interest at 3.75% is paid quarterly.	500,000
A note as a private offering for loan funds. The note matures on September 15, 2024. Interest at 2.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on April 1, 2020. Interest at 2.00% is paid annually.	10,000
A note as a private offering for loan funds. The note matures on October, 25, 2023. Interest at 2.00% is paid annually.	9,853
A note as a private offering for loan funds. The note matures on August 25, 2026. Interest at 2.00% is paid quarterly.	9,772
A note as a private offering for loan funds. The note matures on June 30, 2028. Interest at 3.00% is paid quarterly.	26,270
A note as a private offering for loan funds. The note matures on December 20, 2026. Interest at 2.0% is paid quarterly.	49,000
A note as a private offering for loan funds. The note matures on July 20, 2029. Interest at 1.0% is paid quarterly.	10,000
A note as a private offering for loan funds. The note matures on January 30, 2022. Interest at 2.0% is paid quarterly.	100,000
A note as a private offering for loan funds. The note matures on July 19, 2028. Interest at 3.0% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on July 23, 2028. Interest at 3.0% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on July 25, 2020. Interest at 1.0% is paid quarterly.	10,000
A note as a private offering for loan funds. The note matures on July 31, 2028. Interest at 3.0% is paid quarterly.	50,000
NWMT has a note as a private offering for loan funds. The note matures on September 25, 2028. Interest at 3.0% is paid quarterly.	50,000

NOTE 15. NOTES PAYABLE (CONTINUED)

Note payable to Western Security Bank of Billings for construction advances on the Dall Townhomes development. Interest at 4.75% is paid monthly.	216,950
NWMT has a note as a private offering for loan funds. The note matures on October, 22, 2028. Interest at 3.00% is paid annually.	40,000
A note with The Domestic and Foreign Missionary Society of the Protestant Episcopal Church for loan funds. The note matures on December 31, 2021. Interest at 3.75% is paid quarterly.	250,000
Total	9,006,055
Less current portion	(536,950)
Total long-term debt, net of current portion	$ 8,469,105

The following is a summary of estimated maturities due on notes payable as of September 30, 2019:

2020	$ 536,950
2021	875,000
2022	4,037,500
2023	500,000
2024	2,471,563
Thereafter	585,042
	$ 9,006,055

The notes payable owed by NWMT are all unsecured.

Included above are the notes referenced as private offerings. NWMT filed for an exemption under MT law to offer investments in its loan fund in 2014. The Commissioner of Securities and Insurance (Office of the State Auditor) issued a letter stating the offer and sale of these investments is exempt by virtue of 30-10-104(1) and/or (8), MCA. The Circular is updated annually. The Investment Circular is provided to potential investors and is available upon request from NWMT. Each investment is structured as a term loan with NWMT paying periodic interest from 1% to 3% depending on the term. NWMT anticipates additional investments in its loan pool through this structure.

NOTE 16. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Imposed Purpose and Time Restrictions

As of September 30, 2019, net assets with donor imposed purpose and time restrictions were available for the following purposes:

Downpayment and purchase assistance for first time homebuyers	$ 6,126,740
Improvement of properties	160,000
	$ 6,286,740

Net assets of $1,372,194 were released from donor restrictions by incurring expenses satisfying the purpose of restrictions specified by donors. These releases consist of recognizing an administrative portion of the revenue, recognizing a gain or loss on sales of real estate property, write offs of any loans funded under the original revenue, and closing of grants when they are complete.

Net Assets with Donor Restrictions – Perpetual in Nature

NWMT has a Revolving Loan and Capital Projects Fund (RLF) agreement with Neighborhood Reinvestment Corporation (NRC). The agreement calls for NWMT to maintain a revolving loan and capital projects fund to be used in support and maintenance of this fund. The amount represents capital grants given by NRC over the years to NWMT.

There were no capital grants received during the year ended September 30, 2019. The required balance is reflected as net assets with donor restrictions, and is part of the NRC/RLF fund as required.

Net assets with donor restrictions that are perpetual in nature are composed of the following:

Cash	$ 12,751
Property	70,747
Loan loss reserve	136,999
Loans receivable	557,239
Balance at September 30, 2019	$ 777,736

NRC allows exemplary rated organizations to apply for the conversion of net assets with donor restrictions to net assets without donor restrictions. NRC did not grant approval for NWMT to convert any funds to net assets without donor restrictions for the year ended September 30, 2019. When released, this will be reflected in the statement of activities as “grantor released donor restriction”.

NOTE 17. RELATED PARTY TRANSACTIONS

Neighborhood Housing Service, Inc. dba NeighborWorks Great Falls (NWGF) and NWMT have two common board members. NWMT has entered into a Professional Service Fee Agreement with NWGF. The agreement requires each organization to reimburse the other for administrative services, such as staff, supplies and office space. The total paid to NWGF for the year ended September 30, 2019 was $36,822. NWMT had accounts receivable due from NWGF at September 30, 2019 of $1,593.

NWGF Development, LLC is held by NWGF. There is one note receivable due jointly from two borrowers, GMD Development, LLC and NWGF Development, LLC. The terms of this note is described in Note 4.

NOTE 18. PENSION PLAN

NWMT maintains a 401(k) plan administered by D.A. Davidson covering all full-time employees. Employee contributions are matched as made. NWMT will match up to 5% on a 1 for 1 basis. Total match expense for fiscal year 2019 was $41,518.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Montana HomeOwnership Network, Inc.
dba NeighborWorks Montana
Great Falls, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson ZurMuehlen & Co., P.C.

Great Falls, Montana
January 6, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Montana HomeOwnership Network, Inc.
dba NeighborWorks Montana
Great Falls, Montana

Report on Compliance for Each Major Federal Program

We have audited Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2019. Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's compliance.

Opinion on Each Major Federal Program
In our opinion, Montana HomeOwnership Network, Inc. dba NeighborWorks Montana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control Over Compliance
Management of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson ZurMuehlen & Co., P.C.

Great Falls, Montana
January 6, 2020

MONTANA HOMEOWNERSHIP NETWORK, INC.
dba NEIGHBORWORKS MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2019

Funding Agency	Federal CFDA Number	Pass Through Grantor's Number	Total Federal Award	Grant Revenues	Expenditures	Passed through To Subrecipients
Neighborhood Reinvestment Corporation Public Law 115-141 U.S. Department of Treasury, NeighborWorks America						
Capital Grants	N/A	N/A	$ 125,000	$ 125,000	$ 125,000	$ -
Expendable Grants	N/A	N/A	654,650	654,650	654,650	-
Total			779,650	779,650	779,650	-
U.S. Department of Housing and Urban Development						
HUD Counseling Grant	14.169	N/A	434,246	245,271	245,271	199,441
HOME Investment Partnership Program Pass-Through From:						
Montana Department of Commerce	14.239	M12-SG300100-32	5,028,000	416,491	416,491	-
City of Billings	14.239	N/A	131,710	97,625	97,625	-
			5,159,710	514,116	514,116	-
Total			5,593,956	759,387	759,387	199,441
U.S. Department of Treasury						
Community Development Financial Institutions (CDFI)	21.020	N/A	700,000	700,000	700,000	-
Total			700,000	700,000	700,000	-
U.S. Department of Health and Human Services						
AFI	93.602	N/A	131,690	18,448	18,448	-
Total			131,690	18,448	18,448	-
U.S. Environmental Protection Agency						
Brownfields Assessment and Cleanup Cooperate Agreements Pass-Through From:						
Central Montana Brownsfields Coalition	66.818	N/A	400,000	369,929	369,929	369,929
Total			400,000	369,929	369,929	369,929
Total Federal Awards			$ 7,605,296	$ 2,627,414	$ 2,627,414	$ 569,370

See Accompanying Notes to Schedule.

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana has elected not to use the 10% de minimis indirect cost rate from Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*.

NOTE 4. UNKNOWN CFDA NUMBER

The Neighborhood Reinvestment Corporation, doing business as NeighborWorks America, is a congressionally chartered nonprofit organization that received direct federal appropriations. They have not been issued a Catalog of Federal Domestic Assistance (CFDA) tracking number for federal appropriations. Public Law number 115.141 was issued for the appropriations awarded for the year ended September 30, 2019.

Summary of Auditors' Results:

Financial Statements:	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	None
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	None
Federal Awards:	
Internal control over major programs:	
Material weakness identified?	None
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None

The major program for the year ended September 30, 2019 was as follows:

	CFDA #
Community Development Financial Institutions	21.020

Dollar threshold for Type A programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Findings Relating to Financial Statements

None

Findings Relating to Federal Awards

None

MONTANA HOMEOWNERSHIP NETWORK, INC.
dba NEIGHBORWORKS MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2019

There were no prior year findings relative to federal award programs.

anderson ZURMUEHLEN

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